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USDOC FOR 532/OEA/LHINES/ADYSON/TWILLIS/EHOLLAND  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A  
TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)  
SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: DRAGON WELL  
TRANSPORTATION LTD.

REF: A) USDOC 06873 B) HK 00971 (2007)

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment-verification (PSV) at Dragon Well Transportation Ltd., Unit 2-3 G/F, Hope Sea Ind. Ctr., No. 22-24 Lam Hing Street, Hong Kong (Dragon Well). The item in question is an encircled flux measurement system exported to Dragon Well on or about July 23, 2008 and valued at USD 7411. On the applicable shippers export declaration (SED), these items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. The exporter was Luminentoic of Chatsworth, California.

3. According to the Hong Kong Companies Registry, Dragon Well was registered in March 1998, and it has less than the Hong Kong equivalent of USD 1 in paid-in capital. Its directors are listed as Hai, Sheung Wing and Lo, Ha with Hong Kong identification numbers K799619(5) and P073706(6) respectively. Ms. Lo, Ha is the director of a related company, Tronic Technology Network (HK) Company Limited as well as a range of other Hong Kong companies. Tronic was the subject of a previous unfavorable pre-license check described in reftel B.

4. Internet research reveals that Dragon Well is a subsidiary of China Oriental Express ([www.coe.com.hk](http://www.coe.com.hk)). Ms. Lo, Ha (referenced above) is a director in both Dragon Well and China Oriental. Dragon Well and China Oriental Express are freight forwarders.

5. On December 3, 2008, ECO and Commercial Assistant Carrie Chan visited Dragon Well at the address listed above and met with Tony Choi of Dragon Well and Ms. Ida Ho of Source Photonics, the end user of the item. Ms. Ho (who did not have a business card to share) explained that Source Photonics is the company resulting from the merger of Luminentoic (the exporter of record) and Fiberxon (the end-user on some of the applicable documentation provided to ECO by Ms. Ho and OEA). A review of the web site of Source Photonics ([www.sourcephotonics.com](http://www.sourcephotonics.com)) confirms this information. Ms. Ho of Source Photonics stated that the company produces communication modules for optical receivers.

6. According to Mr. Choi, Dragon Well is a long-term logistics provider to Fiberxon (now Source Photonics) and provides warehouse and logistics services to the company's mainland based factory. Mr. Choi further stated that the factory in Shenzhen completes all customs and other formalities on the shipments. When asked, Mr. Choi could give no clear answer on whether Dragon Well (or any other party) applies for required Hong Kong licenses for import of strategic items into Hong Kong and their subsequent reexport. ECO

assumes Dragon Well does not apply for required Hong Kong licenses in this respect (and that it is unaware of any applicable U.S. licensing requirements for items controlled by U.S. law for reexport from Hong Kong).

¶7. ECO reviewed various shipment documentation provided by Mr. Choi and Ms. Ho of Source Photonics and it appears in order showing shipment to Source Photonics in Shenzhen.

¶8. Based on the information noted above, ECO believes that the applicable items were, in fact, shipped to Source Photonics in Shenzhen. ECO notes that Dragon Well appears to be unaware of Hong Kong and U.S. export control rules. ECO requests that OEA confirm the 3A001 classification of the applicable item so that ECO may reach out to Hong Kong TID concerning a potential violation of Hong Kong's export control rules in connection with this shipment. A determination of the control status of the item will likely also determine whether a violation of U.S. law occurred in respect of this shipment.